

HIGHLINE WATER DISTRICT  
King County, Washington  
January 1, 1995 Through December 31, 1995

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Schedule Of Findings

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1. District Officials Should Ensure Changes Made To The General Ledger Are Authorized And Documented

The district utilizes the computerized accounting system CADO, which allows the following inappropriate changes to be made to the general ledger and utility billing systems without leaving an audit trail:

- a. Unauthorized, undocumented changes can be made to the general ledger master file beginning account balances or the monthly net transactions totals. Passwords are required to access the system, but these passwords are permanently hard-coded into the program software and cannot be changed by district officials to prevent the passwords from becoming known to unauthorized personnel.
- b. Unauthorized, undocumented changes can be made to specific transaction postings to the general ledger.
- c. Unauthorized, undocumented adjustments can be made to the utility billing system customer master file, changing the customer receivable balance without appearing on the customer account history. These last two functions have not been assigned any security features and can be accessed by all district staff.

The capability to make unauthorized, undocumented changes to the general ledger and utility billing systems could result in errors and irregularities that would not be detected in a timely manner.

The district is in the process of replacing the CADO system with a new accounting software program, scheduled to be fully implemented in 1997; however, for the period under audit, CADO was the only operational accounting system in place. We consider the above delineated problems to be a material weakness.

One of the reasons district management purchased the new system was to address these security deficiencies.

We recommend district officials attempt to ensure adequate security is maintained for the current accounting system. We also recommend district officials ensure audit trails are produced and maintained by the CADO system to verify all changes to the general ledger and utility billing system are authorized and documented.

2. District Officials Should Approve Contracts For Consulting Services In Accordance With District Policy

In May 1995, the district paid Management Action Programs, Inc., \$6,875 for consulting services without a written contract or evidence of board approval. These services related to the selection of candidates to fill two vacant commissioner positions created when the district expanded from a three-member to a five-member board of commissioners.

The district's purchasing policies are codified in District Code Section 2.16. Section 2.16.090, Purchasing states:

(C) All purchase orders for . . . equipment or services in excess of five thousand dollars shall require the prior approval of the Board of Commissioners.

We found no resolution or minute entry specifically approving the purchase of these services. The one entry in the minutes dated April 25, 1995, related to this service, indicates the district general manager presented the name of the consultant to the board president and the board agreed to meet with the consultant prior to the candidate interviews. No mention was made about cost or any other aspects of the agreement. The amount finally paid appears to have been based on the per-day-fee the consultant charged the district under a previous contract for services entered into in 1994.

Without a written contract specifying the services to be provided and the fees to be charged, the district could be billed for services not intended to be purchased or for fees greater than expected to be paid for services provided.

District officials indicated the lack of a written contract and specific approval by board resolution was an unintentional omission caused by the short time period occurring between the time the decision was made to obtain the services and the time the actual services were provided.

We recommend district officials approve contracts for consulting services in accordance with district policy and obtain written contracts for consulting services.